

Message Text

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ACTION AF-10

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GENEVA FOR AMBASSADOR CARTER

E.O. 11652 N/A

TAGS: EINV, ENRG, LI

SUBJECT: LIBERIA REFINING COMPANY (LRC)

REF: (A) STATE 281429, (B) STATE 203463 (NOTAL)

1. SUMMARY: ACTING FINANCE MINISTER PADMORE INFORMED CHARGE THAT GOL MADE NEW OFFER ON AUG. 23 IN MEETING WITH SUN/DYNALECTRON REPRESENTATIVES WHICH WOULD NET COMPANIES ESTIMATED \$8.5 MILLION. OFFER IS BEING STUDIED BY COMPANIES. WHEN BRIEFED ABOUT LATEST GOL OFFER, PRESIDENT TOLBERT IS REPORTED TO HAVE SAID "WE WILL NOT BE BLACKMAILED BY THREATS OF CHARGES OF EXPROPRIATION INTO PAYING MORE." LONE STAR SHIPPING LINES IS THREATENING LEGAL ACTION AGAINST LRC FOR FAILING TO HONOR ITS CHECK FOR \$189,700. SUCH ACTION COULD TRIGGER LRC'S BANKRUPTCY AND HAVE SERIOUS ADVERSE EFFECT ON PRESENT NEGOTIATIONS. PADMORE EMPHASIZED THAT SUN/DYNALECTRON CAN SELL THEIR INTEREST TO WHOMEVER THEY WISH. COASTAL STATES HAS NOT ONLY PROVIDED CONSULTANT FOR CURRENT NEGOTIATIONS BUT IS ALSO SUCCESSFUL BIDDER TO SUPPLY \$4 MILLION OF IMPORTED REFINED PRODUCTS. COASTAL STATES
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IS NEGOTIATING TO TAKE OVER REFINERY UNDER NEW CONCESSION AGREEMENT AND TO EXPLORE FOR OIL AND MINERALS IN LIBERIA. END SUMMARY.

2. IN ACCORDANCE WITH INSTRUCTIONS CHARGE CONVEYED POINTS CONTAINED IN PARA 11 OF REFTTEL A TO ACTING FINANCE MINISTER PADMORE ON AUGUST 26.

3. PADMORE MADE ONLY PASSING MENTION OF NEGOTIATIONS OF AUGUST 8 AND 9, APPARENTLY EMBARRASSED BY REJECTION OF GOL OFFER AS BEING LESS FAVORABLE THAN PREVIOUS \$1.5 MILLION FOR REFINERY PLANT. HE SAID HE HAD INSTRUCTED GOL CONSULTANT BOUGUERRA THAT GOL "IS PREPARED TO OFFER 5 TO 6 MILLION DOLLARS ONLY FOR REFINERY PLANT, ACCESSORIES, LEASEHOLD RIGHT, VEHICLES, TANKS AND SPARE PARTS AND TO PURCHASE CRUDE OIL IN STORAGE AT CIF PRICE MONROVIA PAID BY LRC OR LESS IF THIS IS POSSIBLE, FOR RECOVERABLE AMOUNTS." TELEX MESSAGE TO BOUGERRA FURTHER STATED THAT "UNDER THIS CONFIGURATION WE NEED NOT GET INVOLVED IN SETTLEMENT OF LRC OBLIGATIONS OR OWNERSHIP OF ACCOUNTS RECEIVABLE EXCEPT THAT GOVERNMENT WILL REQUIRE THAT REFINERY BE DELIVERED FREE AND CLEAR OF ANY ENCUMBRANCES." PADMORE SAID BOUGUERRA MET WITH SUN/DYNALECTRON REPS ON AUGUST 23 AND THEY ARE STUDYING LATEST OFFER. PADMORE CALCULATED THAT COMPANIES SHOULD RECEIVE \$8.5 MILLION NET (\$6 MILLION FOR REFINERY PLANT PLUS \$4 MILLION FOR CRUDE PLUS \$4 MILLION FOR ACCOUNTS RECEIVABLE MINUS \$5.5 MILLION OF ACCOUNTS PAYABLE). COMMENT: MEETINGS AUGUST 8 AND 9 FAILED BECAUSE GOL NOT HAVING STUDIED LRC BALANCE SHEET CAREFULLY MADE ILL CONSIDERED OFFER. BEFORE AGREEMENT CAN BE REACHED EMBASSY BELIEVES IT IS ESSENTIAL BOTH PARTIES LIMITED OFFICIAL USE

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SHOULD KNOW PRECISELY WHAT ITEMS AND AMOUNTS ARE INCLUDED IN ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE. BANK OF LIBERIA HAS INFORMATION ON CURRENT STATUS OF THESE ACCOUNTS. END COMMENT.

4. PADMORE SAID HE HAD BRIEFED PRESIDENT TOLBERT ON LATEST AND WHAT PADMORE CONSIDERS BEST OFFER. PRESIDENT REMARKED GOL WILL NOT BE BLACKMAILED INTO PAYING MORE THAN ITS BEST OFFER. PADMORE DECLARDD HE WOULD CHALLENGE ANYONE TO PAY MORE.

5. PADMORE MENTIONED THAT LRC MIGHT BE FORCED INTO BANKRUPTCY IF LONE STAR SHIPPING LINES, A SMALL LIBERIAN COASTAL SHIPPING COMPANY OPERATING THREE FREIGHTERS, CARRIES OUT ITS THREAT TO TAKE LEGAL ACTION AGAINST LRC FOR LATTER'S CHECK FOR \$189,700 BEING RETURNED UNPAID. A SMALL FIRM, LONE STAR IS CACING DIRE FINANCIAL DIFFICULTIES. GOL HAS SOUGHT TO PREVENT LEGAL ACTION BUT HAS NO LEGAL AUTHORITY TO ENJOIN FIRM. MOST LRC CREDITORS DON'T WANT LRC TO GO BANKRUPT.

6. PADMORE REEMPHASIZED THAT SUN/DYNALECTRON IS FREE

TO SELL ITS EQUITY INTEREST IN LRC TO ANYONE THEY
PLEASE. BUYER WOULD BE GRANTED 4 CENTS A GALLON MARGIN
TO BE INCREASED TO 5 CENTS IF NEW INVESTMENT IS MADE.

7. FYI. BOUGUERRA WAS REPORTEDLY RECOMMENDED TO GOL
BY OSCAR WYATT, PRESIDENT OF COASTAL STATES. GOL HAS
OFFEERED CONCESSION AGREEMENT TO COASTAL STATES WHICH
MAY INCLUDE LATTER'S EQUITY PARTICIPATION AND MANAGE-
MENT OF REFINERY. PROPOSAL WAS RECENTLY TAKEN BACK TO
HOUSTON BY COASTAL STATES REP. COINCIDENTALLY COASTAL
STATES WON LAST GOL TENDER TO SUPPLY \$4 MILLION
OF REFINED PRODUCTS. FIRM IS ALSO INTERESTED IN
ONSHORE OIL AND MINERAL EXPLORATION AND ACCORDING TO
ONE SOURCE MAY BE SENDING SEISMIC TEAM TO LIBERIA
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